



North Dakota REV-E-NEWS

**From Rod Backman, Director
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LEGISLATIVE REVENUE FORECAST

The Office of Management and Budget along with the Tax Department and WEFA have now completed the Legislative Revenue Forecast, which is located on the inside page of this newsletter. The forecast results in a net decrease in tax revenues of \$15 million over the current biennium and the upcoming biennium. However, we have increased the general fund transfer from the State Mill and Elevator by \$2 million and have added \$1.7 million of other transfers to the general fund, resulting in an overall decrease of \$11.3 million.

The revenue projections for the 1997-99 biennium decreased by \$7.3 million or 0.49 percent from the November forecast, while the revenue projections for the 1999-01 biennium decreased by \$5.5 million or 0.35 percent from the November forecast.

The most significant change from the November forecast is in sales and use tax collections, which decreased by \$6.3 million in the current biennium and \$5.8 million in the

1999-01 biennium. Oil tax collections decreased by \$2.6 million in the current biennium and \$6.9 million in the 1999-01 biennium. Projections for corporate income tax collections increased by \$460,000 in the current biennium and \$5.8 million in the 1999-01 biennium. The decrease in the revenue forecast is the result of several factors. WEFA has decreased their estimate for employment growth in North Dakota and has slightly increased their estimate for North Dakota's unemployment rate. In addition, the outlook for oil prices is slightly less optimistic than last fall and ag commodity prices are not expected to recover in the near future.

On the positive side, WEFA has boosted national gross domestic product from 2.3 percent to 3.2 percent for 1999. While sales tax fell short of projections by \$3.3 million in January, the first five days of February more than made up for the shortfall. Corporate and individual income taxes continue to exceed projections, and growth in the services sector is expected to remain strong.

January Revenue

January revenue collections, after the adjustment for the telecommunications tax, fell below projections by \$5.3 million or 7.4 percent. Biennium-to-date collections are now \$37 million or 3.3 percent ahead of projections.

Comments or Questions???

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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
1997-99 BIENNIUM
JANUARY, 1999

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	Apr-97 Legislative Forecast	Actual	Variance	Percent	Apr-97 Legislative Forecast	Actual	Variance	Percent
Sales Tax	\$ 27,362,000.00	\$ 23,966,981.18	\$ (3,395,018.82)	-12.4%	\$ 447,163,000.00	\$ 441,873,722.12	\$ (5,289,277.88)	-1.2%
Motor Vehicle Excise Tax	4,606,740.00	3,810,221.54	(796,518.46)	-17.3%	78,203,880.00	74,556,674.03	(3,647,205.97)	-4.7%
Individual Income Tax	21,939,580.00	22,856,459.34	916,879.34	4.2%	248,929,660.00	271,795,944.09	22,866,284.09	9.2%
Corporate Income Tax	2,748,600.00	2,849,962.26	101,362.26	3.7%	67,626,900.00	88,450,180.91	20,823,280.91	30.8%
Insurance Premium Tax	15,000.00	11,056.73	(3,943.27)	-26.3%	23,595,000.00	22,879,025.75	(715,974.25)	-3.0%
Business Privilege Tax	112,000.00	230,521.00	118,521.00	105.8%	2,220,000.00	2,837,127.25	617,127.25	27.8%
Oil & Gas Production Tax	1,292,856.00	630,078.70	(662,777.30)	-51.3%	26,448,436.00	21,573,914.14	(4,874,521.86)	-18.4%
Gaming Tax	820,000.00	559,097.94	(260,902.06)	-31.8%	17,566,000.00	17,536,039.52	(29,960.48)	-0.2%
Interest Income	394,000.00	523,964.20	129,964.20	33.0%	10,986,000.00	13,911,693.44	2,925,693.44	26.6%
Oil Extraction Tax	795,270.00	396,805.62	(398,464.38)	-50.1%	18,995,210.00	13,623,947.59	(5,371,262.41)	-28.3%
Cigarette and Tobacco Tax	1,823,200.00	1,776,422.03	(46,777.97)	-2.6%	36,374,000.00	36,064,476.63	(309,523.37)	-0.9%
Departmental Collections	2,455,000.00	7,729,745.33	5,274,745.33	214.9%	22,000,000.00	35,855,000.32	13,855,000.32	63.0%
Wholesale Liquor Tax	404,788.00	425,238.81	20,450.81	5.1%	8,499,568.00	8,512,650.56	13,082.56	0.2%
Coal Severance Tax	1,012,680.00	1,147,589.74	134,909.74	13.3%	17,697,680.00	17,909,378.38	211,698.38	1.2%
Coal Conversion Tax	1,071,450.00	817,721.66	(253,728.34)	-23.7%	18,989,950.00	18,638,059.64	(351,890.36)	-1.9%
Mineral Leasing Fees	200,000.00	201,143.83	1,143.83	0.6%	3,800,000.00	6,355,272.01	2,555,272.01	67.2%
Bank of North Dakota - Transfer					29,600,000.00	29,600,000.00	0.00	0.0%
State Mill and Elevator - Transfer								
Gas Tax Admin. - Transfer	141,109.00	141,109.00	0.00	0.0%	987,763.00	987,763.00	0.00	0.0%
Other Transfers	4,932,455.00	3,354,563.60	(1,577,891.40)	-32.0%	32,094,725.00	33,560,081.07	1,465,356.07	4.6%
Sub-totals	72,126,728.00	71,428,682.51	(698,045.49)	-1.0%	1,111,777,772.00	1,156,520,950.45	44,743,178.45	4.0%
Less Telecommunications Tax Deposited in General Fund		(4,627,481.88)	(4,627,481.88)			(7,776,597.84)	(7,776,597.84)	
Total Revenues and Transfers	\$ 72,126,728.00	\$ 66,801,200.63	\$ (5,325,527.37)	-7.4%	\$ 1,111,777,772.00	\$ 1,148,744,352.61	\$ 36,966,580.61	3.3%

**LEGISLATIVE REVENUE FORECAST
OFFICE OF MANAGEMENT & BUDGET
MARCH, 1999**

REVENUES AND TRANSFERS	1997-99 BIENNIUM			1999-01 BIENNIUM		
	November Forecast	Legislative Forecast	Change	November Forecast	Legislative Forecast	Change
SALES AND USE TAX	576,549,221	\$ 570,196,221	\$ (6,353,000)	\$ 649,057,000	\$ 643,214,000	\$ (5,843,000)
MOTOR VEHICLE EXCISE TAX	96,626,643	94,482,643	(2,144,000)	104,960,000	104,222,000	(738,000)
INDIVIDUAL INCOME TAX	355,899,716	359,779,716	3,880,000	381,006,000	382,147,000	1,141,000
CORPORATE INCOME TAX	115,202,025	115,662,025	460,000	102,342,000	108,223,000	5,881,000
BUSINESS PRIVILEGE TAX	5,596,325	5,596,325	-	5,376,000	5,376,000	-
OIL & GAS PRODUCTION TAX	27,782,940	25,981,940	(1,801,000)	27,008,000	22,817,000	(4,191,000)
OIL EXTRACTION TAX	17,067,218	16,294,218	(773,000)	16,688,000	13,885,000	(2,803,000)
CIGARETTE & TOBACCO TAX	44,849,602	44,849,602	-	44,748,000	42,544,000	(2,204,000)
COAL SEVERANCE TAX	22,413,648	22,438,648	25,000	22,346,000	22,346,000	-
COAL CONVERSION TAX	23,853,623	23,833,623	(20,000)	24,555,000	24,555,000	-
INSURANCE PREMIUM	34,809,767	34,282,025	(527,742)	35,830,000	35,830,000	-
WHOLESALE LIQUOR	10,534,454	10,480,669	(53,785)	10,718,000	10,388,473	(329,527)
GAMING	23,413,001	22,669,000	(744,001)	23,437,000	22,669,000	(768,000)
DEPARTMENTAL COLLECTIONS	32,275,343	33,565,725	1,290,382	32,300,000	33,500,000	1,200,000
INTEREST	18,648,066	18,375,000	(273,066)	15,040,000	15,832,000	792,000
MINERAL LEASING FEES	7,361,905	7,357,000	(4,905)	4,794,240	4,915,680	121,440
BANK OF ND PROFITS - TRANSFER	29,600,000	29,600,000	-	60,000,000	60,000,000	-
STATE MILL PROFITS - TRANSFER	3,000,000	3,000,000	-	3,000,000	5,000,000	2,000,000
GAS TAX ADMIN. - TRANSFER	1,128,872	1,128,872	-	1,380,608	1,380,608	-
OTHER TRANSFERS *	36,850,824	36,560,081	(290,743)	3,000,000	4,700,000	1,700,000
TOTAL REVENUES AND TRANSFERS	\$ 1,483,463,193	\$ 1,476,133,333	\$ (7,329,860)	\$ 1,567,585,848	\$ 1,563,544,761	\$ (4,041,087)
July 1, 1997 Balance		\$ 65,000,000		July 1, 1999 Balance		\$ 50,650,799
Revenue Estimate		1,476,133,333		Revenue Estimate		1,563,544,761
Anticipated Turnback		20,900,000				
Total Available		\$ 1,562,033,333		Total Available		\$ 1,614,195,560
Net Appropriations		(1,489,240,087)		1999--01 Appropriations		(1,615,319,416)
Estimated Deficiency Appropriation		(22,142,447)				
June 30, 1999 Estimate		\$ 50,650,799		June 30, 2001 Balance		\$ (1,123,856)
*Other Transfers - 1999-01:						
Land & Minerals Trust Fund	\$	3,000,000				
Life Insurance Fund	\$	1,500,000				
Financial Institutions Reg. Fund		200,000				
Total 1999-01 Other Transfers	\$	4,700,000				

Revenue Variances

The month of January ended on two weekend days, and as a result, a clear picture of sales tax collections in January is not available. Actual collections processed by the Tax Department were \$3.3 million short of the legislative forecast. Sales tax collections in the first week of February were considerably stronger than the same week one year ago, indicating that the January shortfall will be recouped in February. Unfortunately, the month of February ends on a weekend also which may delay the resolution of the timing issues until after March. Biennium-to-date sales tax collections are \$5.2 million or 1.2 percent below projections.

Motor vehicle excise tax collections fell below projections by \$796,518 or 17.3 percent in January. Biennium-to-date collections are now \$3.6 million or 4.7 percent below projections.

Individual income tax collections exceeded projections by \$916,879 or 4.2 percent. Biennium-to-date collections are now \$22.8 million or 9.2 percent ahead of projections.

Corporate income tax collections were \$101,362 or 3.7 percent ahead of the monthly projection. Biennium-to-date collections are now \$20.8 million or 30.8 percent ahead of biennium-to-date collections.

As expected, the oil taxes again fell behind pro-

jections as a result of the continued low price of oil. Oil and gas production and the oil extraction taxes combined fell below monthly projections by slightly over \$1 million. Oil tax collections are now \$10.1 million below biennium-to-date projections.

Included in the Departmental Collection monthly variance of \$5.2 million is \$4.6 million that was deposited into the general fund as a result of the telecommunications tax. The biennium-to-date variance of \$13.8 million includes \$7.7 million of telecommunications tax. The telecommunications tax is the result of House Bill 1068, from the 1997 Legislative Assembly. House Bill 1068 provided for the collection of the telecommunications tax, but failed to authorize a special fund in which to deposit the money prior to distribution. When no special fund is specified, money must be deposited into the general fund. This \$7.7 million will eventually be distributed to counties by the State Tax Commissioner. The Office of Management and Budget intends to propose an amendment to Senate Bill 2101 to provide authorization for a special fund for the telecommunications tax.

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